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JOHN T. SCOTT, III
(202) 624-2582

November 13, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: CC Docket No. 96-61: Ex Parte Presentation

Dear Ms. Salas:

Pursuant to Section 1.1206(b) of the Commission's Rules, transmitted herewith on behalf of Bell Atlantic Mobile, Inc., are two copies of a written ex parte presentation in the above-referenced proceeding, to be included in the public record of the proceeding.

Should there be any questions regarding this matter, please contact this office.

Sincerely,

John T. Scott III

John T. Scott, III

Enclosures

Bell Atlantic Mobile

Bell Atlantic Mobile, Inc.
180 Washington Valley Road
Bedminster, NJ 07921
908 306-7390
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S. Mark Tuller
Vice President - Legal and External Affairs
General Counsel and Secretary

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November 10, 1998

Chairman William E. Kennard
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, D.C. 20554

Re: CC Docket No. 96-61: CMRS Rate Integration

Dear Chairman Kennard:

The Commission must act by January 1, 1999, on seven petitions to forbear from requiring CMRS providers to "integrate" their rates for interstate interexchange services. These and other petitions were filed in response to a July 1997 Commission order, which held for the first time that CMRS providers must comply with Section 254(g), the rate integration provision of the Communications Act.

Bell Atlantic Mobile (BAM) continues to believe that complete forbearance is required for the wireless industry. In our view the July 1997 order improperly applied rate integration to CMRS, misinterpreted Section 254(g), and failed to provide any legal or policy rationale for this action. Enforced rate integration is pure economic interventionism that distorts a competitive market and in the end injures consumers. Even if it is required for landline long distance, there is no basis in law or policy to extend it to wireless. The Commission's policy of free-market-based wireless pricing has been a huge success for consumers, and it should not be supplanted. The Commission has

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come too far in promoting the benefits of deregulation for CMRS to backtrack by imposing rate regulation in the form of rate integration.

With this letter we are supplementing the record so that there can be no doubt that complete forbearance is mandated.

Wireless Market Forces Are Achieving The Goal of Rate Integration.

The fact is that, left to its own devices to compete for customers, the wireless industry is achieving the social goals behind rate integration. The attached declaration of Mr. Jack Plating, Chief Operating Officer of BAM, demonstrates this. Mr. Plating shows that the wireless long distance paradigm is vastly different from landline long distance. Wireless long distance is not legally or commercially separate but is an integral part of the overall competition for wireless business. As a result, overall wireless price and service competition, exemplified by the proliferation of wide-area, totally bundled SingleRate, One Rate and other plans, has brought "integrated" rates to customers for their long distance calls. Consumers in insular and remote areas enjoy wireless long distance rates that are priced no higher than rates for other customers.

These pro-consumer, pro-competitive developments are an independent basis for forbearing. The fundamental forbearance question is whether enforcement of a particular provision of the Act or a rule is necessary. As Mr. Plating's declaration makes clear, enforcing rate integration is not necessary for all wireless customers to share in the same wireless long distance rates. The wireless market is, without regulation, harmonizing what are ordinarily competing mandates – maximizing consumer welfare by free-market-based pricing, while insuring non-discrimination in pricing for services in remote and insular areas.

The reason is simple. The flood of wireless competition which the Commission has unleashed is achieving the same result. Wireless carriers are offering more and more bundled rate, flat rate, single rate and other plans that are available to all subscribers in each state served by those carriers and thus are clearly achieving the goals of rate integration. (The attached article from today's *Wall Street Journal* reports on the rapid growth of these integrated plans and the lower prices they are bringing to consumers.) These plans particularly benefit the very subscribers that rate integration is concerned about – those in remoter states – because they often set a single "flat rate" regardless of the geographic distance of the call. For example:

- BAM offers its "SingleRate USA" plan throughout its East Coast service areas, where a certain number of minutes is included for calls of any distance within the country, from anywhere within the country. A flat rate is paid for additional minutes on the same basis, i.e., regardless of whether the call is "local" or "long distance" or "roaming." Any BAM customer, whether in an urban center or in a rural West Virginia market, can subscribe to the "SingleRate" offering and have the same ability to call "long distance" for no separately stated rate whatsoever.

- BAM also offers a range of "DigitalChoice" plans, which have specific per-minute, flat-rated charges for long distance calls regardless of the distance. These same long distance rates are available to subscribers throughout BAM's footprint and are thus "integrated."

- AT&T Wireless is offering its "One Rate" plan to customers in its many service areas across the nation, including, BAM believes, areas AT&T serves in Alaska, with uniform rates available. Customers can select from a wide range of price plans with varied monthly access and free minute packages. Like BAM's "SingleRate" plans, there is no separately stated long distance charge.

- Primeco, a PCS provider, offers to all subscribers, including those in its Hawaii service area, a variety of rate plans that have an identical long-distance unit charge, 19 cents per minute. Primeco's Hawaii subscribers to this plan pay no more for long distance calls than its subscribers in other states pay.

- Sprint PCS's "Dime Anytime" plan offers to its subscribers in all of its markets flat per minute rates and no separate charges for long distance calls.

These and other integrated rate plans described by Mr. Plating are part of a dramatic decline in long distance wireless rates. At the same time, wireless long distance has begun to disappear as a concept. By flat-rate, distance-insensitive pricing, and now by bundled "one-rate" plans in which distinct long distance and roaming charges are entirely eliminated, the wireless industry has adopted a different paradigm than landline, where separate long distance pricing remains and in which distance-sensitive rates still largely prevail. As Mr. Plating shows, this is occurring because wireless long distance traffic is not legally limited to regulatory concepts characteristic of the landline long distance business, such as "exchange" or "interexchange," or "LATA," or "equal access."

These pricing trends in the wireless industry actually subsidize and benefit the residents of Hawaii and Alaska, the original intended beneficiaries of rate integration. Many landline long distance plans use "mileage bands" for rates, so that unit charges are commensurately higher for calls of longer distance. This results in higher charges for calls to and from those states. By contrast, the flat-rate or no-rate pricing of wireless long distance is distance insensitive, so a 2,000-mile call is a dramatically better value than a 200-mile call. Under BAM's "SingleRate" and "DigitalChoice" plans, customers pay a fixed per-minute rate for any call whether the call goes to Chicago, Anchorage or Honolulu. This is true as well of plans offered by Primeco in Hawaii and, BAM believes, by many other CMRS carriers. Residents of these states enjoy paying the same rate for all calls, even if they make many more calls of greater distance.

Forbearance is not only appropriate given these market developments; it is also warranted by the special federal deregulatory paradigm for wireless services. The policy disfavoring CMRS regulation, codified in Section 332 of the Act and other provisions that recognize the distinct deregulatory model for CMRS, is just as central to the Act as rate integration. The CMRS paradigm relies on market forces rather than government regulation to promote customer-responsive service. Commission decisions implementing Section 332 consistently emphasize this. For example, in 1994 the Commission proclaimed: "We establish, as a principal objective, the goal of ensuring that unwarranted regulatory burdens are not imposed upon any mobile radio licensees that are classified as CMRS providers." Implementation of Section 3(n) and 332 of the Communications Act, Second Report and Order, 9 FCC Rcd 1411, 1418 (1994). It later reaffirmed that this course "is an essential step toward achieving the overarching Congressional goal of promoting opportunities for economic forces – not regulation – to shape the development of the marketplace." Id., Third Report and Order, 9 FCC Rcd 7988, 8004 (1994).

In striking down eight states' rate regulation of cellular carriers, the Commission forcefully stated the rationale for strictly limiting regulation:

> In 1993, Congress amended the Communications Act to revise fundamentally the statutory system of licensing and regulating wireless (i.e., radio) telecommunications services. . . . OBRA reflects a general preference in favor of reliance on market forces rather than regulation. Congress delineated its preference for allowing this emerging market to develop subject to only as much regulation for which the Commission and the states could demonstrate a clear cut need. The public interest goal of this Congressional plan is readily discernable. Congress intended to promote rapid deployment of a wireless telecommunications infrastructure.

Petition of the Connecticut Department of Public Utility Control to Retain Regulatory Control of the Rates of Wholesale Cellular Service Providers, Order, 10 FCC Rcd 7025, 7031 (1995), aff'd, 78 F.3d 842 (2d Cir. 1996).

Nothing in the 1996 Act changed Congress's deregulatory mandate for CMRS; in fact, many provisions in that Act directed the Commission to rely even more on market forces to regulate competitive industries. The Commission has repeatedly reported to Congress on the dramatic growth in CMRS competition, and has pointed to declining wireless prices and rapid new entry in touting the success of wireless competition. E.g., Third Annual Report on CMRS Competition, FCC 98-91, released June 11, 1998; see Remarks by Chairman Kennard to the National Association of State Utility Consumer Advocates, February 9, 1998; Remarks of Commissioner Susan Ness to the Economic Strategy Conference, March 3, 1998.

Nowhere in these positive reports on the benefits flowing from CMRS competition has the Commission identified any concern at all about rate integration. In light of the rapidly growing availability of fully integrated wireless offerings, there is absolutely no basis for it to express such concern now.

Denying forbearance would, by contrast, force the Commission into the micromanagement of wireless pricing -- a role it has never played and clearly should not play. The Commission would have to examine the many types of wireless pricing structures that have evolved in response to consumer demand and competition, determine precisely what rates are to be integrated, and address types of wireless services that have no counterpart in landline such as roaming. The Commission's October 1997 stay order already acknowledged that "it is difficult to determine how rate integration should be applied with respect to wide area rate plans." Order at ¶ 15. But wide area plans are only one of many types of pricing structures that the Commission would have to address.

Due process as well as other basic legal principles prohibit an agency from enforcing a rule unless it first gives regulated entities clear guidance as to precisely how they are to comply. To provide that guidance, the Commission would first have to address innumerable issues as to application of rate integration to wireless. BAM submits there is not only no legal basis, but also no public interest, reason for the Commission to attempt that tortuous effort, particularly given the serious issues that will then also have to be litigated as to the scope of Section 254(g) itself. I thus urge you to grant forbearance as the legally proper course of action.

Pursuant to the Commission's ex parte rules, I am providing two copies of this letter for inclusion in the record of this proceeding.

Sincerely,

S. Mark Tuller

Enclosure

cc: Commissioner Harold Furchtgott-Roth
Commissioner Susan Ness
Commissioner Michael K. Powell
Commissioner Gloria Tristani
Lawrence E. Strickling
Daniel Phythyon
James D. Schlicting
Douglas L. Slotten
Jane E. Jackson
Jeanine Poltronieri
Peter Wolfe
All Parties of Record

DECLARATION OF JACK PLATING

1. My name is Jack Plating. I am the Chief Operating Officer of Bell Atlantic Mobile. I am ultimately responsible for the pricing of wireless services sold to the public by Bell Atlantic Mobile. The purpose of this declaration is to examine the pricing of long distance traffic in the wireless business, considering the Commission's rate integration requirements. In brief, I discuss why the Commission should continue to rely on market forces to price wireless services. Next, I show that the market-based wireless prices are producing the functional equivalent of rate integration, or better.

2. <u>The importance of market forces in pricing wireless services.</u> It's important to start with the fact that federally-imposed "rate integration" is just another form of price regulation. It's a law or government agency telling us what to charge for a supposedly competitively priced service. Price regulation is an outmoded and rejected concept in the wireless business, and properly so. The public benefit that has flowed from price deregulation has been enormous. The Commission knows this from its analysis in the *Third Competition Report,* and I can attest to the tremendous price pressure BAM experiences every day from the competition of other wireless carriers. Having gone to the trouble of establishing a competitive wireless industry from the outset, and then licensing many additional carriers from the auction process, the Commission should clearly not embark on policing wireless prices.

3. Any federal rule that restricts my company from rolling out prices we think are necessary to compete automatically decreases consumer welfare. Regulatory intervention in prices carries the potential for great cost in lack of flexibility, "sticky" prices that don't decline as rapidly as otherwise, potentials for price parallelism and other problems. These are all anti-competitive effects that harm consumer welfare. Whenever government decreases the ability of

CMRS competitors to respond to differing consumer preferences, such as by forcing long distance prices to be levellized, competition will be decreased.

4. Without rate regulation, the wireless business has seen rapid new entry and decreasing prices. Subscribers have benefited from steadily expanding services, advanced features and state-of-the art equipment. Rate integration would reverse the Commission's correct policy not to intrude into and distort the market-driven pricing that has resulted in numerous benefits for CMRS subscribers and the economy.

5. How wireless long distance is different. The Commission needs to keep in mind that long distance service is a very different concept in the wireless business than it is in the landline business. This is because of the different history of the wireless business, the different legal structure of the wireless business, and the different market forces of the wireless business. As a result, there is not a separately operated or defined wireless business called "long distance", as there is in the landline business. Wireless long distance service, where it isn't subsumed altogether in bundled rate plans, is just another element of an end-to-end wireless offering.

6. Legally, the wireless industry is not driven by any distinction between "local" and "interexchange" service. There is no such thing as an "exchange" in the wireless business, so there is no such thing as "interexchange." There is no such thing as an artificial demarcation between a local business and a long distance business. There is no such thing as LATAs. There is no such thing as equal access. There is simply no separate business of interexchange carriage, as there is in the landline world.

7. The general level of price and service competition in the wireless business affects the "long distance" wireless calling in the normal course of competition. In other words, the huge increase in wireless competition, and

the huge drop and disciplining of wireless prices in general brought by the competition, works just as effectively for long-distance wireless calls as for short distance calls.

8. Wireless long distance, therefore, has dropped precipitously in price, and has started to disappear altogether as a concept. By flat-rate distance-insensitive pricing, and now by bundled "one-rate" plans in which distinct long distance and roaming charges are entirely eliminated, the wireless industry has adopted a different paradigm than landline, which still basically has separate long distance pricing and distance sensitive rates.

9. Wireless businesses have a long tradition of flat-rate long distance pricing. For example, a wireless long distance call may be priced at a distance-insensitive flat rate of 25 cents per minute. These flat-rate, distance insensitive rates have declined. For example, when Bell Atlantic Mobile gained permission to provide wireless long distance service after the 1996 Act, we consciously adopted a flat rate pricing strategy, and we consciously adopted the strategy of undercutting at least some of the pre-existing wireless long distance prices. Long distance wireless rates have since dropped precipitously to the point that they are as low or lower than many landline long distance rates.

10. More recently, carriers have begun offering totally bundled national rate plans (available wherever they do business) that abolish the concept of long distance altogether. These "one-rate" plans are a prime example of how market pressures can accomplish beneficial results. I can testify from experience that the competitive purpose of these plans is to win customers who want the simplicity and convenience of one low price for all their wireless calls, no matter from where and no matter to where. But almost as a by-product of that competitive pressure, residents of remote and insular areas are actually being subsidized by wireless carriers. This remarkable result is explained in the next sections.

11. <u>How wireless long distance pricing has achieved the social goals of rate integration</u>. The course of competition in the wireless industry has, fortuitously, achieved many if not all of the goals of rate integration, and more. As I noted above, wireless carriers are making available to their subscribers more and more bundled rate, flat rate, single rate and other plans that are available to subscribers in each state served by that carrier. These wireless price plans particularly benefit the very subscribers that the concept of rate integration is concerned with – those in remoter states. A Bell Atlantic Mobile customer in West Virginia can subscribe to a BAM "SingleRate USA" offering and pay the same bundled rate as a BAM customer in New York City or Washington, D.C. for her long distance calls. Many carriers also offer price plans that specify a per-minute charge for long distance calls throughout their service areas. BAM's "DigitalChoice" plans, for example, have a specific per-minute charge for long distance calls that is identical throughout BAM's footprint..

- AT&T Wireless offers plans that allow for flat rate calling up to a given number of minutes per month, which vary from 100-800 minutes depending on the given plan. To my knowledge these plans are available in all states AT&T serves, with long distance adding 15 cents per minute.

- AT&T also offers One Rate plans in its markets (including Alaska and Hawaii) in which local and long distance calls are treated identically. These One Rate Plans are available at identical rates throughout the U.S. to the best of my knowledge. No separate charge whatsoever is incurred for long distance calling within the allowance, and over the allowance long distance calling is flat rated at the same price from any location.

- Primeco offers to its subscribers in Hawaii and in areas it serves in the continental U.S. a rate plan that has an identical long-distance unit charge, 19 cents per minute. Primeco's Hawaii subscribers to this plan pay no more for long distance calls than its subscribers in other states.

- BAM offers its "SingleRate USA" plan throughout its East Coast service areas, where a certain number of minutes is included for calls of any distance within the country, from anywhere within the country. A flat rate is paid for additional minutes on the same basis, i.e., regardless of whether the call is "local" or "long distance" or "roaming." Any BAM customer, whether in an urban center or in a rural West Virginia market, can subscribe to the "SingleRate" offering and have the same ability to call "long distance" for no separately stated rate whatsoever.

- BAM also offers a range of "DigitalChoice" plans, which have specific per-minute, flat-rated charges for long distance calls regardless of the distance. These same long distance rates are available to subscribers throughout BAM's footprint and are thus "integrated."

- Sprint PCS's "Dime Anytime" plan offers to subscribers in all of its markets across the nation flat per-minute rates and no separate charges for long distance calls.

12. Beyond that, these and other wireless price plans actually subsidize and benefit the residents of Hawaii and Alaska, going beyond the goals of rate integration. Many landline long distance plans use mileage bands for rates, so that unit charges are commensurately higher for calls of longer distance. A 2000 mile call will have a higher per-minute rate than a 500 mile

call. While Hawaii and Alaska residents do not pay higher rates for calls in the same mileage band than do continental US residents, the use of mileage bands means that their average long distance rates may be significantly higher than other residents.

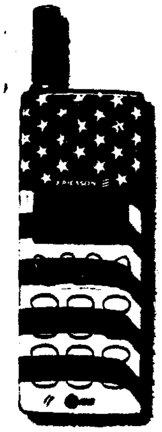
13. Wireless plans, by contrast, are increasingly moving away from mileage bands. Instead, there is a flat unit price regardless of the distance of the call. For example, under one of BAM's "DigitalChoice" plans, customers pay 15 cents a minute for <u>any</u> call that is terminated outside of BAM's East Coast service area, whether the call goes to Chicago or Los Angeles. This is true as well of plans offered by AT&T and Primeco in Alaska and Hawaii. Residents of these states thus enjoy paying the same rate for all calls, even if they make a larger number of longer-distance calls. CMRS providers often subsidize the costs of these calls, because they are paying the underlying carrier banded rates. In this way as well, Alaska and Hawaii residents already enjoy more benefits from the market than they would obtain under a CMRS rate integration rule.

14. <u>What should the Commission do?</u> Because wireless competition is achieving the goals of rate integration, forbearance is justified. The alternative, enforcing rate integration, will inevitably lead to pointless hair-splitting and micro-management of prices: What's a wireless exchange? Which legal entity should be treated as a wireless carrier? How do you identify interexchange traffic? How do you identify interstate traffic? It is just not clear how the Commission could efficiently or logically enforce rate integration against carriers in the competitive wireless market, where the lines between "local" and "long-distance" service are rapidly eroding. Some carriers offer customers large "local" calling areas that encompass multi-state areas (for example, BAM's service areas in New York/Northern New Jersey, and Washington, D.C./Maryland/Northern Virginia). Some carriers treat areas within a state as "long distance." Attempting to graft mandatory rate

integration on wireless would distort the market forces that led carriers to develop customized calling areas in response to market forces.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge. Dated October 26, 1998.

Jack Plating



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201 843-9100 x2219
Herald Square
34th & 7th Ave.
212 494-2077

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718 692-6307
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Outside of Cosmetics entrance
732 542-1212 x2604
New Springvale, Staten Island Mall
3rd Floor, near Houseware
718 370-5506

Rego Park, Elmhurst
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718 271-7200 x2670
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CTP Wireless World 3779 Merrick Rd., Seaford, 516 781-1300
CTP Wireless World 50 East Sunrise Hwy., Valley Stream, 516 872-4040
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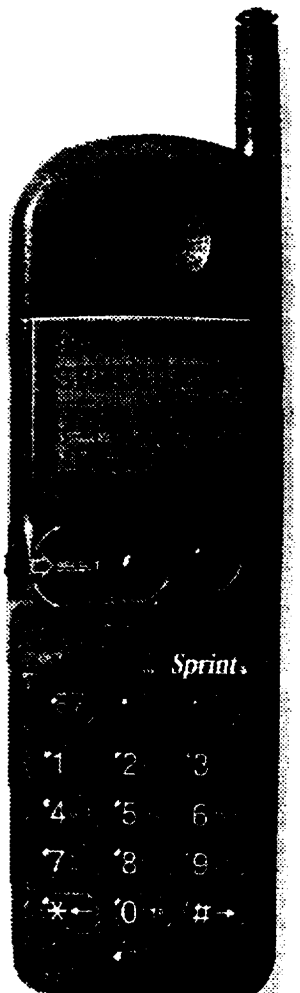

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INDUSTRY FOCUS

National Cellular Plans With Flat Rates Stir Up Industry

Competition Gives Consumers Lower Prices, but Regional Phone Companies Take a Hit

By NICOLE HARRIS
Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—Nationwide cellular services are starting to take the air out of regional companies in what could be Round 1 of an industry shakeout.

During the past few months, regional cellular players such as the Baby Bells have seen their growth in new subscribers slow substantially, a trend that became evident when these companies disclosed third-quarter results. One big reason seems to be the surging growth of flat-rate, nationwide cellular plans from AT&T Corp. and Sprint Corp.

"It appears the regional Bells are getting hurt the most," said Cynthia M. Motz, a wireless analyst with Credit Suisse First Boston in New York. "They're going to have a hard time combating this."

Rapidly Evolving Industry

This shift in market share is a sign of the times in a rapidly evolving cellular industry. As recently as three years ago, there were just two carriers in each market enjoying a comfortable duopoly.

Now some markets have as many as six players. This heated competition has created lower prices for consumers but also more mind-numbing variations of service plans, including "buckets" of phone minutes for a flat fee. Yet most wireless phone users are still forced to decipher "roaming" fees—charges billed for making calls outside of the users' local calling area.

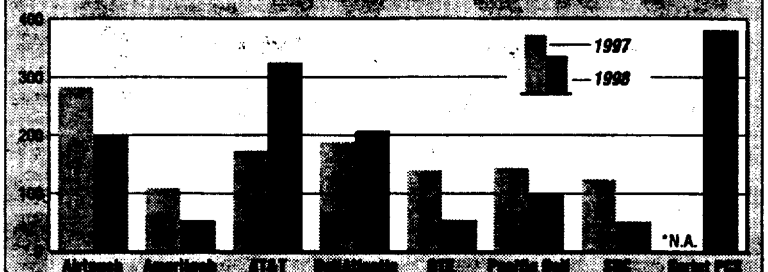
AT&T shook up the industry in May when it introduced its Digital OneRate plan, which threw out roaming fees and the cumbersome process of punching in a special code to place a call when a customer is outside the cellular provider's calling area. These all-inclusive packages—targeted at frequent travelers who usually spend at least $90 a month on cellular—charge 11 to 15 cents a minute regardless of where a call is placed nationwide. Long-distance calls are included at no extra charge.

The AT&T plan one-upped Sprint's national package, which also offers customers a flat rate but charges them an additional 69 cents a minute to roam outside the company's network, which isn't available outside of most urban areas and interstate highways.

Rudy Maxa, host of a weekly radio show on travel, loves the no-roaming aspect of AT&T's plan. The Washington, D.C., resident uses as much as 900 minutes of air time a month, mostly making long-distance calls to Los Angeles, where his show is produced. "I used to get walloped on roaming and long-distance charges. Now I don't think twice about making a long-distance call on my cell phone," he said. Mr. Maxa shells out an average of $135 a month on AT&T's wireless service. That is about $15 less than what he paid for his former Sprint service, but he said he uses the AT&T phone "10 times as much."

Look Ma, No Roaming

Nationwide plans from AT&T and Sprint that have reduced or eliminated roaming fees have slowed the growth of regional players. Chart shows new subscribers in third quarter 1998 vs. 1997, in thousands.



Sources: Credit Suisse First Boston, company reports — *Sprint's national plan not yet in effect

Risks of AT&T Strategy

After the rollout of Digital OneRate, AT&T beefed up its cellular network with a $900 million acquisition of Vanguard Cellular and a reorganization of its partnership with BellSouth Corp. that gave it a larger presence in the crucial Los Angeles market. The goal: control as many networks as possible to get rid of roaming charges it would have to pay the host carrier.

Of course, the strategy has risks. No one really knows how the AT&T network will behave when customers crowd the airwaves to use up their remaining minutes each month. In its third-quarter results, AT&T experienced a 36% increase in minutes used by its subscribers, according to Lehman Brothers. The telecom giant may have to spend more to increase its system capacity. There is also the risk of losing money on the roaming fees AT&T must pay other carriers when customers make calls outside AT&T's network. "They're doing the right thing, but there may be some indigestion in getting there," said analyst Steven Yannis at Nationsbanc Montgomery Securities.

Nevertheless, other cellular players are being forced to respond to the national plans. Gloats Andy Sukawaty, chief executive of Sprint's Sprint PCS venture: "For the regional player, it's really a squeeze and awfully expensive to offer a similar program."

That won't stop them from trying. Bell Atlantic Corp. chose to jump in with an imitation. After discovering that nearly 75% of its customers who roam do so on the East Coast, the New York regional company introduced its SingleRate East plan, which charges customers a minimum of $39.99 for 60 minutes of air time, including long-distance and roaming fees. The calling area stretches from the Carolinas to New England. For customers who roam nationwide, Bell Atlantic rolled out SingleRate USA, which offers 1,600 minutes of use for $159.99 a month.

Impact on Customers

Dennis Strigl, CEO of Bell Atlantic Mobile, observed at a wireless conference recently that the plans are encouraging customers to chat more often. He said some 53% of Bell Atlantic subscribers are choosing the plans that start at $99. "We're beginning to see the effect of flat-rate digital pricing actually creating higher-revenue users," he said.

Yet other Baby Bells contend that nationwide pricing plans are having minimal impact on their customer base. Officials at BellSouth's cellular unit, BellSouth Mobility, say only 5% of its customers roam on other carriers' networks any "substantial" amount.

"That's a small amount of our customers who would find a nationwide plan appealing enough to switch," said Jeff Batcher, a spokesman for BellSouth Mobility, adding that if the Atlanta company's high-end customers expressed interest in a competitor's plan, BellSouth might throw in additional minutes or a discounted handset to win their loyalty.

Strategy for Baby Bells

Some of the Baby Bells are choosing to focus on what they consider to be more valuable customers. Officials at Ameritech Corp., for example, argue they would rather spend their marketing bucks trying to attract customers who use their phones predominantly in their local area for, say, calling to check on the kids during the commute from work.

"That's where we derive the most value," said Dave Onak, an Ameritech spokesman, adding that the Chicago company doubled its percentage of that subscriber base between March and August.

In coming months, the regional players might find a need to team up to increase their own footprint or develop more sweeping roaming agreements. And the really small players, including those that offer so-called personal communications service, or PCS, in limited areas could be hit harder. "The PCS coverage isn't as big as the national incumbents. Customers will abandon one carrier and go to the next," predicted Peter Nighswander, wireless consultant with the Strategis Group, a technology consulting firm in Washington.

Perhaps the most significant impact of nationwide, flat-rate pricing is its effect on customer behavior. Customers who pay the monthly $90 fee for AT&T's national plan and notice near the end of the month that they have remaining minutes might be more inclined to make long-distance calls on their cell phones to use up the time. AT&T is "counting on customers who are on the cusp of migrating from landline to wireless for their long distance," said analyst Mark Lowenstein of Yankee Group, a telecom consulting firm in Boston.